

January 20, 2004

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9:00 AM

Thomas M. Dorman  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40602-0615


*Re: An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism  
Tariffs of Louisville Gas and Electric Company, Case No. 2003-00335*

Dear Mr. Dorman:

Please find an original and ten (10) copies of Louisville Gas and Electric Company's Amended Response to Question No. 28 of the First Data Request of the Commission Staff in the above-referenced proceeding. Copies of this amended response have been served on all parties.

Please direct any questions to the undersigned at 502/627-2557.

Very truly yours,



Linda S. Portasik  
Counsel for Louisville Gas and Electric  
Company

cc (w/enclosures): All Parties on Service List

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2003-00335**

**Amended Response to First Data Request of Commission Staff dated October 30, 2003**

**Question No. 28**

**Responding Witness: Michael S. Beer**

Q-28. Refer to the responses to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. to BWG, Item 3, page 23 of 24. The response to BWG Data Request No. 6-93 shows that LG&E had no Research and Development ("R&D") expenditures during the period of 1998 through 2002. In Case No. 2000-00095, the acquisition of LG&E Energy by Powergen, LG&E indicated it would continue funding R&D programs as long as the programs produced benefits. LG&E, LG&E Energy, and Powergen committed to notifying the Commission in writing 30 days prior to any material change in their participation in funding for R&D, with changes including a change in funding equal to or greater than 5 percent of the previous year's budget for R&D. In Case No. 2001-00104, this commitment was reaffirmed as part of the E.ON acquisition of Powergen.

a. During the processing of Case No. 2000-00095, was LG&E aware it would not be making any R&D expenditures in 2000, even while it was indicating to the Commission its general support of R&D? Explain the response.

b. Explain why LG&E has not had any R&D expenditures from 1998 to 2002.

A-28. a. LG&E wishes to correct the misimpression that no R&D expenditures were made during the referenced period. First, LG&E was and remains a member of the Electric Power Research Institute ("EPRI"), and actively participates in various EPRI-sponsored programs. LG&E stopped booking corporate membership dues after 2000 because Powergen assumed responsibility for the payment thereof (from 2001-2003). Moreover, apart from EPRI membership dues, LG&E has paid for, and participated in, various R&D programs sponsored by EPRI during and after 1998. These EPRI-related expenses for calendar years 1998 - 2002 were approximately \$580,000, \$708,000, \$373,000, \$322,000 and \$366,000, respectively. Any prior statements to the contrary to BWG inadvertently omitted reference to these expenditures.

Statements to BWG were based upon R&D expenditures as reported in LG&E's FERC Form 1s for the applicable periods. Those FERC Form 1s reported zero R&D expenditures. LG&E has revised its internal controls to pick up the aforementioned R&D expenditures for future FERC Form 1 filings. Also, these changes will allow LG&E to trigger, if necessary, the reporting of R&D expenditures to the Commission as required in the Commission's Orders in Case Nos. 2000-00095 and 2001-00104.

b. Please see the response to Question No. 28(a).